

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2007

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|------------------------------|---------------------|
| Board of Education (Before September 2006 Election) | | |
| Paula Thomas | Board President | 2006 |
| Alan Ackerman | Board Member | 2006 |
| John Custer | Board Member | 2007 |
| Dick Morrison | Board Member | 2008 |
| John Gent | Board Member | 2008 |
| Board of Education (After September 2006 Election) | | |
| Dick Morrison | Board President | 2008 |
| Alan Ackerman | Board Member | 2009 |
| John Custer | Board Member | 2007 |
| Tammy Lawrence | Board Member | 2009 |
| John Gent | Board Member | 2008 |
| School Officials | | |
| Alan J Jensen | Superintendent | 2007 |
| Wendy Ayers | District Secretary/Treasurer | 2007 |
| Elwood & Elwood | Attorney | 2007 |
| Belin, Harris, Lamson & McCormick | Attorney | 2007 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
English Valleys Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District, North English, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2008 on our consideration of English Valleys Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise English Valleys Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein), and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

English Valleys Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,899,896 in fiscal 2006 to \$4,151,159 in fiscal 2007, while General Fund expenditures increased from \$4,074,268 in fiscal 2006 to \$4,183,609 in fiscal 2007. The District's General Fund balance decreased from \$238,036 in fiscal 2006 to \$205,586 in fiscal 2007, a 13.6 percent decrease.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of English Valleys Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

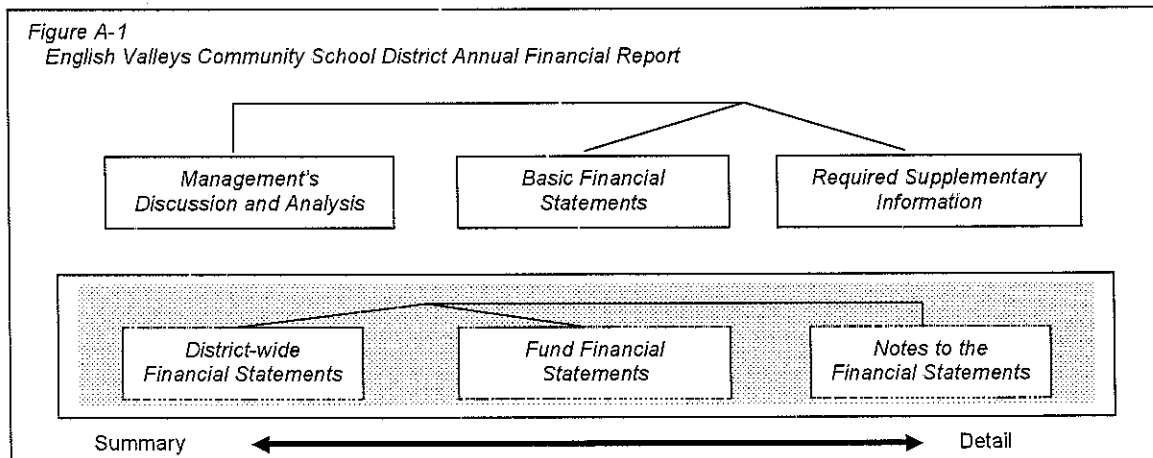


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | |
|---|--|--|--|
| | Government-wide Statements | Fund Statements | |
| | | Governmental Funds | Proprietary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student-built house programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Student-built House Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Flex Benefit Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|---|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|-----------------|
| | June 30, | | June 30, | | June 30, | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-2007 |
| Current and other assets | \$ 3,872,380 | \$ 3,373,021 | \$ 89,069 | \$ 92,566 | \$ 3,961,449 | \$ 3,465,587 | 14.3% |
| Capital assets | <u>3,209,707</u> | <u>3,191,126</u> | <u>13,930</u> | <u>19,106</u> | <u>3,223,637</u> | <u>3,210,232</u> | 4.2% |
| Total assets | <u>7,082,087</u> | <u>6,564,147</u> | <u>102,999</u> | <u>111,672</u> | <u>7,185,086</u> | <u>6,675,819</u> | 7.6% |
| Long-term obligations | 1,867,358 | 2,061,858 | - | - | 1,867,358 | 2,061,858 | (9.4)% |
| Other liabilities | <u>3,079,126</u> | <u>2,445,060</u> | <u>16,331</u> | <u>11,417</u> | <u>3,095,457</u> | <u>2,456,477</u> | 26.0% |
| Total liabilities | <u>4,946,484</u> | <u>4,506,918</u> | <u>16,331</u> | <u>11,417</u> | <u>4,962,815</u> | <u>4,518,335</u> | 9.8% |
| Net assets | | | | | | | |
| Invested in capital assets, net of related debt | 1,299,707 | 1,096,126 | 13,930 | 19,106 | 1,313,637 | 1,115,232 | 17.8% |
| Restricted | <u>420,198</u> | <u>377,912</u> | - | - | <u>420,198</u> | <u>377,912</u> | 11.2% |
| Unrestricted | <u>415,698</u> | <u>583,191</u> | <u>72,738</u> | <u>81,149</u> | <u>488,436</u> | <u>664,340</u> | (26.5)% |
| Total net assets | <u>\$ 2,135,603</u> | <u>\$ 2,057,229</u> | <u>\$ 86,668</u> | <u>\$ 100,255</u> | <u>\$ 2,222,271</u> | <u>\$ 2,157,484</u> | 3.0% |

The District's combined net assets increased by approximately 3.0%, or \$64,787, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$42,286, or approximately 11.2% over the prior year. This increase is primarily due to additional funding received from the State.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$175,904, or approximately 26.5%. This decrease was a result of the District experiencing decreased enrollment and the associated decrease in revenues.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

| Figure A-4 Change in Net Assets | | | | | | | |
|--|-------------------------|---------------------|--------------------------|-----------------|------------------|---------------------|--------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | June 30, | | June 30, | | June 30, | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-2007 |
| Revenues | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services and sales | \$ 747,896 | \$ 718,634 | \$ 122,293 | \$ 133,362 | \$ 870,189 | \$ 851,996 | 2.1% |
| Operating grants contributions and restricted interest | 437,851 | 398,416 | 80,440 | 74,165 | 518,291 | 472,581 | 9.7% |
| General revenues: | | | | | | | |
| Property and sales tax | 1,891,524 | 1,856,775 | - | - | 1,891,524 | 1,856,775 | 1.9% |
| Unrestricted state grants | 1,692,575 | 1,619,953 | - | - | 1,692,575 | 1,619,953 | 4.4% |
| Unrestricted investment earnings | 81,384 | 47,153 | 488 | 444 | 81,872 | 47,597 | 72.0% |
| Loss on disposal of capital assets | - | (12,838) | - | - | - | (12,838) | (100.0)% |
| Other | 238,786 | 50,390 | 344 | 1,534 | 239,130 | 51,924 | 58.7% |
| Total revenues | <u>5,090,016</u> | <u>4,678,483</u> | <u>203,565</u> | <u>209,505</u> | <u>5,293,581</u> | <u>4,887,988</u> | 8.3% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 3,407,419 | 3,263,214 | - | - | 3,407,419 | 3,263,214 | 4.4% |
| Support services | 1,241,182 | 1,254,902 | - | - | 1,241,182 | 1,254,902 | (1.1)% |
| Non-instructional programs | - | - | 217,152 | 200,014 | 217,152 | 200,014 | 8.6% |
| Other expenses | <u>363,041</u> | <u>390,763</u> | <u>-</u> | <u>-</u> | <u>363,041</u> | <u>390,763</u> | (7.1)% |
| Total expenses | <u>5,011,642</u> | <u>4,908,879</u> | <u>217,152</u> | <u>200,014</u> | <u>5,228,794</u> | <u>5,108,893</u> | 2.3% |
| Change in net assets | \$ <u>78,374</u> | \$ <u>(230,396)</u> | \$ <u>(13,587)</u> | \$ <u>9,491</u> | \$ <u>64,787</u> | \$ <u>(220,905)</u> | 129.3% |

Property tax, sales tax and unrestricted state grants account for 70.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88.9% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,090,016 and expenses were \$5,011,642.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

| Figure A-5 Total and Net Cost of Governmental Activities | | | | | | |
|---|------------------------|---------------------|--------------|----------------------|---------------------|--------------|
| | Total Cost of Services | | | Net Cost of Services | | |
| | June 30, | | Total Change | June 30, | | Total Change |
| | 2007 | 2006 | 2006-2007 | 2007 | 2006 | 2006-2007 |
| Instruction | \$ 3,407,419 | \$ 3,263,214 | 4.4% | \$ 2,390,466 | \$ 2,338,928 | 2.2% |
| Support services | 1,241,182 | 1,254,902 | (1.1)% | 1,212,770 | 1,195,984 | 1.4% |
| Other expenses | <u>363,041</u> | <u>390,763</u> | (7.1)% | <u>222,659</u> | <u>256,917</u> | (13.3)% |
| Total expenses | <u>\$ 5,011,642</u> | <u>\$ 4,908,879</u> | 2.1% | <u>\$ 3,825,895</u> | <u>\$ 3,791,829</u> | 8.9% |

- The cost financed by users of the District's programs was \$747,896.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$437,851.
- The net cost of governmental activities was financed with \$1,891,524 in property and other taxes and \$1,692,575 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$203,565 representing a 2.8 percent decrease over the prior year while expenses totaled \$217,152, an 8.6 percent increase over the prior year. The District's business type activities include the School Nutrition Fund and Student-built House Fund. Revenues from these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, English Valleys Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$625,784, slightly above last year's ending fund balances of \$615,948. The primary reason for the increase in combined fund balances in fiscal 2007 is due to the District receiving additional funds from the State.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$238,036 to \$205,586, due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District.

Proprietary Fund Highlights

- Enterprise Fund net assets decreased from \$100,255 at June 30, 2006 to \$86,668 at June 30, 2007, representing an decrease of approximately 13.5 percent due primarily to an increase in operational expenses in the Nutrition Fund

BUDGETARY HIGHLIGHTS

Over the course of the year, English Valleys Community School District did not amend its annual budget.

The District's revenues were \$318,347 more than budgeted revenues, a variance of 6.4 percent. The most significant variance resulted from the District receiving more in State sources than originally anticipated.

Total expenditures were \$1,016,402 less than budgeted.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$3,223,637 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately .4 percent from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$257,517.

The original cost of the District's capital assets was \$8,034,427. Governmental funds account for \$7,949,607, with the remainder of \$84,820 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital assets during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$439,871 at June 30, 2007, compared to \$452,965 reported at June 30, 2006. This decrease resulted from depreciation expense for the year.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|-------------------------------|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|-----------------|
| | June 30, | | June 30, | | June 30, | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-2007 |
| Land | \$ 257,413 | \$ 257,413 | \$ - | \$ - | \$ 257,413 | \$ 257,413 | 0.0% |
| Buildings and improvements | 2,526,353 | 2,499,854 | - | - | 2,526,353 | 2,499,854 | 1.1% |
| Furniture and equipment | 425,941 | 433,859 | 13,930 | 19,106 | 439,871 | 452,965 | (2.9)% |
| Totals | <u>\$ 3,209,707</u> | <u>\$ 3,191,126</u> | <u>\$ 13,930</u> | <u>\$ 19,106</u> | <u>\$ 3,223,637</u> | <u>\$ 3,210,232</u> | 0.4% |

Long-Term Debt

At June 30, 2007, the District had \$1,867,358, net of unamortized discount and deferred changes, in general obligation and other long-term debt outstanding. This represents a decrease of approximately 9.4 percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

| | Total District | | Total Change |
|--------------------------|---------------------|---------------------|-----------------|
| | June 30, | | |
| | 2007 | 2006 | 2006-2007 |
| General obligation bonds | \$ 1,910,000 | \$ 2,095,000 | (8.8)% |
| Early retirement | 161,897 | 196,964 | (17.8)% |
| Total | <u>\$ 2,071,897</u> | <u>\$ 2,291,964</u> | (9.6)% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment in the recent past, the District expects the enrollment to remain steady for the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wendy Ayers, District Secretary/Treasurer, English Valleys Community School District, PO Box 490, North English, Iowa 52316.

BASIC FINANCIAL STATEMENTS

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and pooled investments | | | |
| ISCAP | \$ 1,019,996 | \$ - | \$ 1,019,996 |
| Other | 860,598 | 88,240 | 948,838 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 31,409 | - | 31,409 |
| Succeeding year | 1,768,882 | - | 1,768,882 |
| Accrued interest: | | | |
| ISCAP | 9,213 | - | 9,213 |
| Accounts receivable | 1,112 | 46 | 1,158 |
| Due from other governments | 181,170 | - | 181,170 |
| Inventories | - | 783 | 783 |
| Capital assets, net of accumulated depreciation | 3,209,707 | 13,930 | 3,223,637 |
| TOTAL ASSETS | 7,082,087 | 102,999 | 7,185,086 |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 11,846 | - | 11,846 |
| Checks in excess of balance | 3,414 | - | 3,414 |
| Salaries and benefits payable | 251,713 | 11,558 | 263,271 |
| Accrued interest payable | 7,980 | - | 7,980 |
| Deferred revenue - Succeeding year property tax | 1,768,882 | - | 1,768,882 |
| Deferred revenue - Other | - | 4,773 | 4,773 |
| ISCAP warrants payable | 1,022,000 | - | 1,022,000 |
| ISCAP accrued interest payable | 7,390 | - | 7,390 |
| ISCAP unamortized premiums | 5,901 | - | 5,901 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Bonds payable | 185,000 | - | 185,000 |
| Early retirement | 36,293 | - | 36,293 |
| Unamortized discount | (838) | - | (838) |
| Unamortized deferred charge | (24,729) | - | (24,729) |
| Portion due after one year: | | | |
| Bonds payable | 1,725,000 | - | 1,725,000 |
| Early retirement | 125,604 | - | 125,604 |
| Unamortized discount | (5,868) | - | (5,868) |
| Unamortized deferred charge | (173,104) | - | (173,104) |
| TOTAL LIABILITIES | 4,946,484 | 16,331 | 4,962,815 |
| <u>NET ASSETS</u> | | | |
| Investment in capital assets, net of related debt | 1,299,707 | 13,930 | 1,313,637 |
| Restricted for: | | | |
| Physical plant and equipment levy | 86,064 | - | 86,064 |
| Other special revenue purposes | 131,403 | - | 131,403 |
| Capital projects | 200,112 | - | 200,112 |
| Debt service | 2,619 | - | 2,619 |
| Unrestricted | 415,698 | 72,738 | 488,436 |
| TOTAL NET ASSETS | \$ 2,135,603 | \$ 86,668 | \$ 2,222,271 |

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

| | | <u>Program Revenues</u> | |
|---|---------------------|-----------------------------|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants, Contributions and Restricted Interest</u> |
| <u>FUNCTIONS/PROGRAMS:</u> | | | |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 2,105,215 | \$ 585,264 | \$ 190,810 |
| Special instruction | 589,927 | 134,580 | 87,432 |
| Other instruction | 712,277 | - | 18,867 |
| | <u>3,407,419</u> | <u>719,844</u> | <u>297,109</u> |
| Support services: | | | |
| Student services | 112,947 | - | - |
| Instructional staff services | 66,327 | - | - |
| Administration services | 525,228 | 28,052 | - |
| Operation and maintenance of plant services | 253,591 | - | - |
| Transportation services | 283,089 | - | 360 |
| | <u>1,241,182</u> | <u>28,052</u> | <u>360</u> |
| Other expenditures: | | | |
| Facilities acquisitions | 70,104 | - | - |
| Long-term debt interest | 61,417 | - | - |
| AEA flowthrough | 140,382 | - | 140,382 |
| Depreciation (unallocated)* | 91,138 | - | - |
| | <u>363,041</u> | <u>-</u> | <u>140,382</u> |
| Total governmental activities | <u>5,011,642</u> | <u>747,896</u> | <u>437,851</u> |
| Business-type activities: | | | |
| Non-instructional programs: | | | |
| Nutrition services | 216,882 | 122,293 | 80,440 |
| Student-built house | 270 | - | - |
| Total business type activities | <u>217,152</u> | <u>122,293</u> | <u>80,440</u> |
| Total | <u>\$ 5,228,794</u> | <u>\$ 870,189</u> | <u>\$ 518,291</u> |

GENERAL REVENUES:

Property tax levied for:
 General purposes
 Capital projects
 Debt services
Sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues

Changes in net assets

Net assets - Beginning of year

Net assets - End of year

* This amount excludes the depreciation included in the direct expense of various programs

See Notes to Financial Statements

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|---------------------|
| Governmental Activities | Business Type Activities | Total |
| \$ (1,329,141) | \$ - | \$ (1,329,141) |
| (367,915) | - | (367,915) |
| (693,410) | - | (693,410) |
| <u>(2,390,466)</u> | <u>-</u> | <u>(2,390,466)</u> |
| (112,947) | - | (112,947) |
| (66,327) | - | (66,327) |
| (497,176) | - | (497,176) |
| (253,591) | - | (253,591) |
| (282,729) | - | (282,729) |
| <u>(1,212,770)</u> | <u>-</u> | <u>(1,212,770)</u> |
| (70,104) | - | (70,104) |
| (61,417) | - | (61,417) |
| - | - | - |
| (91,138) | - | (91,138) |
| (222,659) | - | (222,659) |
| <u>(3,825,895)</u> | <u>-</u> | <u>(3,825,895)</u> |
| - | (14,149) | (14,149) |
| - | (270) | (270) |
| - | (14,419) | (14,419) |
| <u>(3,825,895)</u> | <u>(14,419)</u> | <u>(3,840,314)</u> |
| 1,328,838 | - | 1,328,838 |
| 102,047 | - | 102,047 |
| 245,282 | - | 245,282 |
| 215,357 | - | 215,357 |
| 1,692,575 | - | 1,692,575 |
| 81,384 | 488 | 81,872 |
| 238,786 | 344 | 239,130 |
| <u>3,904,269</u> | <u>832</u> | <u>3,905,101</u> |
| 78,374 | (13,587) | 64,787 |
| <u>2,057,229</u> | <u>100,255</u> | <u>2,157,484</u> |
| \$ <u>2,135,603</u> | \$ <u>86,668</u> | \$ <u>2,222,271</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|--|----------------------------|--------------------------|--|----------------------------|
| <u>ASSETS</u> | | | | |
| Cash and pooled investments: | | | | |
| ISCAP | \$ 1,019,996 | \$ - | \$ - | \$ 1,019,996 |
| Other | 332,226 | - | 352,922 | 685,148 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 23,240 | 5,199 | 2,970 | 31,409 |
| Succeeding year | 1,325,633 | 242,166 | 201,083 | 1,768,882 |
| Accounts receivable | 115 | 834 | 163 | 1,112 |
| Accrued interest: | | | | |
| ISCAP | 9,213 | - | - | 9,213 |
| Due from other governments | <u>104,833</u> | <u>-</u> | <u>76,337</u> | <u>181,170</u> |
| TOTAL ASSETS | \$ <u>2,815,256</u> | \$ <u>248,199</u> | \$ <u>633,475</u> | \$ <u>3,696,930</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>LIABILITIES:</u> | | | | |
| Accounts payable | \$ 11,667 | \$ - | \$ 179 | \$ 11,846 |
| Checks issued in excess of balance | - | 3,414 | - | 3,414 |
| Salaries and benefits payable | 237,079 | - | 14,634 | 251,713 |
| ISCAP warrants payable | 1,022,000 | - | - | 1,022,000 |
| ISCAP accrued interest payable | 7,390 | - | - | 7,390 |
| ISCAP unamortized premiums | 5,901 | - | - | 5,901 |
| Deferred revenue: | | | | |
| Succeeding year property tax | <u>1,325,633</u> | <u>242,166</u> | <u>201,083</u> | <u>1,768,882</u> |
| Total liabilities | <u>2,609,670</u> | <u>245,580</u> | <u>215,896</u> | <u>3,071,146</u> |
| <u>FUND BALANCES:</u> | | | | |
| Reserved for: | | | | |
| Debt service | - | 2,619 | - | 2,619 |
| Unreserved, undesignated: | | | | |
| Special revenue funds | - | - | 217,467 | 217,467 |
| Other governmental | <u>205,586</u> | <u>-</u> | <u>200,112</u> | <u>405,698</u> |
| Total fund balances | <u>205,586</u> | <u>2,619</u> | <u>417,579</u> | <u>625,784</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>2,815,256</u> | \$ <u>248,199</u> | \$ <u>633,475</u> | \$ <u>3,696,930</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

| | |
|--|---------------------|
| <u>TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS</u> | \$ 625,784 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds | 3,209,707 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds | (7,980) |
| The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets | 175,450 |
| Long-term liabilities, including bonds and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(1,867,358)</u> |
| <u>NET ASSETS OF GOVERNMENTAL ACTIVITIES</u> | \$ <u>2,135,603</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | General | Debt Service | Other Nonmajor Governmental Funds | Total |
|---|-------------------|-----------------|--|-------------------|
| <u>REVENUES:</u> | | | | |
| Local sources: | | | | |
| Local tax | \$ 1,041,122 | \$ 245,282 | \$ 512,087 | \$ 1,798,491 |
| Tuition | 540,154 | - | - | 540,154 |
| Other | 220,664 | 834 | 206,220 | 427,718 |
| State sources | 2,212,623 | - | - | 2,212,623 |
| Federal sources | 136,596 | - | - | 136,596 |
| Total revenues | <u>4,151,159</u> | <u>246,116</u> | <u>718,307</u> | <u>5,115,582</u> |
| <u>EXPENDITURES:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 1,916,816 | - | 58,279 | 1,975,095 |
| Special instruction | 589,927 | - | - | 589,927 |
| Other instruction | 530,431 | - | 180,620 | 711,051 |
| | <u>3,037,174</u> | <u>-</u> | <u>238,899</u> | <u>3,276,073</u> |
| Support services: | | | | |
| Student services | 868 | - | - | 868 |
| Instructional staff services | 66,186 | - | - | 66,186 |
| Administration services | 484,928 | - | 35,672 | 520,600 |
| Operation and maintenance of plant services | 251,756 | - | - | 251,756 |
| Transportation services | 202,315 | - | 59,350 | 261,665 |
| | <u>1,006,053</u> | <u>-</u> | <u>95,022</u> | <u>1,101,075</u> |
| Other expenditures: | | | | |
| Facilities acquisitions | - | - | 341,026 | 341,026 |
| Long-term debt: | | | | |
| Principal | - | 185,000 | - | 185,000 |
| Interest and fiscal charges | - | 62,190 | - | 62,190 |
| AEA flowthrough | 140,382 | - | - | 140,382 |
| | <u>140,382</u> | <u>247,190</u> | <u>341,026</u> | <u>728,598</u> |
| Total expenditures | <u>4,183,609</u> | <u>247,190</u> | <u>674,947</u> | <u>5,105,746</u> |
| Net change in fund balances | (32,450) | (1,074) | 43,360 | 9,836 |
| <u>FUND BALANCE</u> - Beginning of year | <u>238,036</u> | <u>3,693</u> | <u>374,219</u> | <u>615,948</u> |
| <u>FUND BALANCE</u> - End of year | <u>\$ 205,586</u> | <u>\$ 2,619</u> | <u>\$ 417,579</u> | <u>\$ 625,784</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 9,836

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of capital outlays exceeded depreciation expense in the current year as follows:

| | | |
|----------------------|------------------|--------|
| Capital outlays | \$ 270,922 | |
| Depreciation expense | <u>(252,341)</u> | 18,581 |

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (145,316)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amortization as follows:

| | | |
|---|----------------|---------|
| Amortization of bond discount and deferred charge | (25,567) | |
| Repaid | <u>185,000</u> | 159,433 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

| | | |
|------------------|--|--------|
| Early retirement | | 35,067 |
|------------------|--|--------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded in the governmental funds as an expenditure when paid. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is paid. 773

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 78,374

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

| | Business Type Activities <u>Nonmajor Enterprise</u> | Governmental Activities <u>Internal Service</u> |
|---|---|---|
| <u>ASSETS</u> | | |
| Cash and pooled investments | \$ 88,240 | \$ 175,450 |
| Accounts receivable | 46 | - |
| Inventories | 783 | - |
| Capital assets, net of accumulated depreciation | <u>13,930</u> | <u>-</u> |
| TOTAL ASSETS | <u>102,999</u> | <u>175,450</u> |
| <u>LIABILITIES</u> | | |
| Salaries and benefits payable | 11,558 | - |
| Deferred revenues | <u>4,773</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>16,331</u> | <u>-</u> |
| <u>NET ASSETS</u> | | |
| Investment in capital assets, net of related debt | 13,930 | - |
| Unrestricted | <u>72,738</u> | <u>175,450</u> |
| TOTAL NET ASSETS | \$ <u>86,668</u> | \$ <u>175,450</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

| | <u>Business Type</u> <u>Activities</u> <u>Nonmajor</u> <u>Enterprise</u> | <u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service</u> |
|---------------------------------------|---|---|
| <u>OPERATING REVENUES:</u> | | |
| Local sources: | | |
| Charges for services | \$ 122,293 | \$ 404,520 |
| Miscellaneous | 344 | - |
| Total operating revenues | <u>122,637</u> | <u>404,520</u> |
| <u>OPERATING EXPENSES:</u> | | |
| Non-instructional programs: | | |
| Employee benefits: | | |
| Miscellaneous | - | 550,628 |
| Food service operations: | | |
| Loss on sale | 270 | - |
| Salaries | 79,994 | - |
| Benefits | 20,277 | - |
| Supplies | 107,009 | - |
| Miscellaneous | 4,426 | - |
| Depreciation | <u>5,176</u> | <u>-</u> |
| Total operating expenses | <u>217,152</u> | <u>550,628</u> |
| | OPERATING LOSS | <u>(94,515)</u> |
| | <u>(94,515)</u> | <u>(146,108)</u> |
| <u>NON-OPERATING REVENUES:</u> | | |
| State sources | 2,618 | - |
| Federal sources | 77,822 | - |
| Interest income | 488 | 792 |
| Total non-operating revenues | <u>80,928</u> | <u>792</u> |
| | CHANGE IN NET ASSETS | <u>(13,587)</u> |
| | <u>(13,587)</u> | <u>(145,316)</u> |
| <u>NET ASSETS - Beginning of year</u> | <u>100,255</u> | <u>320,766</u> |
| <u>NET ASSETS - End of year</u> | \$ <u>86,668</u> | \$ <u>175,450</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

| | <u>Business Type</u> <u>Activities</u> <u>Nonmajor</u> <u>Enterprise</u> | <u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service</u> |
|--|---|---|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Cash received from sale of meals | \$ 124,856 | \$ - |
| Cash received from sale of inventory | 10,000 | - |
| Cash received for services | - | 470,263 |
| Cash received for miscellaneous items | 344 | - |
| Cash payments to employees for services | (97,965) | - |
| Cash payments to suppliers for goods or services | <u>(110,625)</u> | <u>(550,628)</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(73,390)</u> | <u>(80,365)</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u> | | |
| State grants received | 2,618 | - |
| Federal grants received | <u>67,724</u> | <u>-</u> |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>70,342</u> | <u>-</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Interest on investments | <u>488</u> | <u>792</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,560) | (79,573) |
| <u>CASH AND CASH EQUIVALENTS - Beginning of year</u> | <u>90,800</u> | <u>255,023</u> |
| <u>CASH AND CASH EQUIVALENTS - End of year</u> | \$ <u>88,240</u> | \$ <u>175,450</u> |
| <u>RECONCILIATION OF OPERATING LOSS TO NET CASH</u> <u>USED IN OPERATING ACTIVITIES:</u> | | |
| Operating loss | \$ (94,515) | \$ (146,108) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Commodities consumed | 10,098 | - |
| Depreciation | 5,176 | - |
| Decrease (increase) in accounts receivable | (46) | 65,743 |
| Decrease in inventories | 983 | - |
| Increase in salaries and benefits payable | 2,306 | - |
| Increase in deferred revenues | <u>2,608</u> | <u>-</u> |
| Net cash used in operating activities | \$ <u>(73,390)</u> | \$ <u>(80,365)</u> |
| <u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u> | | |
| During the year ended June 30, 2007, the District received \$10,098 of federal commodities. | | |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The English Valleys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of North English, Iowa, and the predominate agricultural territory in Keokuk and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, English Valleys Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The English Valleys Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, the District reports a nonmajor proprietary fund, Internal Service Fund. The Internal Service, Flex Benefit Fund is utilized to account for employee flexible benefits.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ 2,500 |
| Buildings | 2,500 |
| Improvements other than buildings | 2,500 |
| Furniture and equipment | 2,500 |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Useful Lives</u> |
|-----------------------------------|---------------------|
| Buildings | 50 years |
| Improvements other than buildings | 20-50 years |
| Furniture and equipment | 5-15 years |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement – District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2007. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures functional area exceeded the amounts budgeted.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

| | <u>Amortized Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | \$ <u>769,373</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Investment Rate Risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

NOTE 3: IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

| <u>Series</u> | <u>Warrant Date</u> | <u>Final Warrant Maturity</u> | <u>Investments</u> | <u>Accrued Interest Receivable</u> | <u>Warrants Payable</u> | <u>Accrued Interest Payable</u> | <u>Unamortized Premiums</u> |
|---------------|---------------------|-------------------------------|--------------------|------------------------------------|-------------------------|---------------------------------|-----------------------------|
| 2006-07B | 01/26/07 | 01/26/08 | \$ 399,977 | \$ 9,028 | \$ 401,000 | \$ 7,237 | \$ 1,293 |
| 2007-08A | 06/28/07 | 06/28/08 | 620,019 | 185 | 621,000 | 153 | 4,608 |
| Total | | | \$ 1,019,996 | \$ 9,213 | \$ 1,022,000 | \$ 7,390 | \$ 5,901 |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. During the year ended June 30, 2007, the District was advanced \$200,000.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| <u>Series</u> | <u>Interest Rates on Warrants</u> | <u>Interest Rates on Investments</u> |
|---------------|-----------------------------------|--------------------------------------|
| 2006-07B | 4.2500% | 5.3150% |
| 2007-08A | 4.5000% | 5.4550% |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-------------------|-------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 257,413 | \$ - | \$ - | \$ 257,413 |
| Total capital assets not being depreciated | <u>257,413</u> | <u>-</u> | <u>-</u> | <u>257,413</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 4,722,108 | 109,426 | - | 4,831,534 |
| Furniture and equipment | <u>2,699,164</u> | <u>161,496</u> | <u>-</u> | <u>2,860,660</u> |
| Total capital assets being depreciated | <u>7,421,272</u> | <u>270,922</u> | <u>-</u> | <u>7,692,194</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,222,254 | 82,927 | - | 2,305,181 |
| Furniture and equipment | <u>2,265,305</u> | <u>169,414</u> | <u>-</u> | <u>2,434,719</u> |
| Total accumulated depreciation | <u>4,487,559</u> | <u>252,341</u> | <u>-</u> | <u>4,739,900</u> |
| Total capital assets being depreciated, net | <u>2,933,713</u> | <u>18,581</u> | <u>-</u> | <u>2,952,294</u> |
| Governmental activities capital assets, net | \$ <u>3,191,126</u> | \$ <u>18,581</u> | \$ <u>-</u> | \$ <u>3,209,707</u> |
| Business type activities: | | | | |
| Furniture and equipment | \$ 84,820 | \$ - | \$ - | \$ 84,820 |
| Less accumulated depreciation | <u>65,714</u> | <u>5,176</u> | <u>-</u> | <u>70,890</u> |
| Business-type activities capital assets, net | \$ <u>19,106</u> | \$ <u>(5,176)</u> | \$ <u>-</u> | \$ <u>13,930</u> |

Depreciation expense was charged by the District as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 20,011 |
| Other | 1,226 |
| Support services: | |
| Instructional staff | 112,897 |
| Administration | 3,810 |
| Operation and maintenance of plant | 1,835 |
| Transportation | <u>21,424</u> |
| | 161,203 |
| Unallocated | <u>91,138</u> |
| Total depreciation expense – Governmental activities | \$ <u>252,341</u> |
| Business type activities: | |
| School nutrition | \$ <u>5,176</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance End of Year</u> | <u>Due Within One Year</u> |
|--------------------------|--|------------------|-------------------|------------------------------------|------------------------------------|
| General obligation bonds | \$ 2,095,000 | \$ - | \$ 185,000 | \$ 1,910,000 | \$ 185,000 |
| Early retirement | <u>196,964</u> | <u>-</u> | <u>35,067</u> | <u>161,897</u> | <u>36,293</u> |
| Total | \$ <u>2,291,964</u> | \$ <u>-</u> | \$ <u>220,067</u> | \$ <u>2,071,897</u> | \$ <u>221,293</u> |

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness was as follows:

| <u>Year Ending June 30,</u> | <u>Interest Rate</u> | <u>Refunding Bonds Dated July 1, 2003</u> | | |
|-------------------------------------|--------------------------|---|-------------------|---------------------|
| | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | 2.50% | \$ 185,000 | \$ 57,165 | \$ 242,165 |
| 2009 | 2.50 | 190,000 | 52,540 | 242,540 |
| 2010 | 2.75 | 195,000 | 47,790 | 242,790 |
| 2011 | 3.00 | 205,000 | 42,427 | 247,427 |
| 2012 | 3.00 | 215,000 | 36,277 | 251,277 |
| 2013 | 3.00 | 220,000 | 29,827 | 249,827 |
| 2014 | 3.25 | 225,000 | 23,227 | 248,227 |
| 2015 | 3.30 | 235,000 | 15,915 | 250,915 |
| 2016 | 3.40 | <u>240,000</u> | <u>8,160</u> | <u>248,160</u> |
| | | \$ <u>1,910,000</u> | \$ <u>313,328</u> | \$ <u>2,223,328</u> |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be between the ages of 55 and 62 and have completed 15 years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement benefit is calculated as 100% of the difference between the B.A step 0 and the employee's position on the salary scale as of the start of the year following retirement. In addition, the District will pay for single health and major medical insurance coverage under the District's insurance policy until the retiree reached age 65. Early retirement benefits paid during the year ended June 30, 2007 totaled \$35,067.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 6: PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$144,427, \$133,959, and \$129,073, respectively, equal to the required contributions for each year.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$140,382 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> | Total <u>Actual</u> |
|--|--|---------------------------------------|------------------------|
| <u>REVENUES:</u> | | | |
| Local sources | \$ 2,766,363 | \$ 123,125 | \$ 2,889,488 |
| State sources | 2,212,623 | 2,618 | 2,215,241 |
| Federal sources | <u>136,596</u> | <u>77,822</u> | <u>214,418</u> |
| Total revenues | <u>5,115,582</u> | <u>203,565</u> | <u>5,319,147</u> |
| <u>EXPENDITURES:</u> | | | |
| Instruction | 3,276,073 | - | 3,276,073 |
| Support services | 1,101,075 | - | 1,101,075 |
| Non-instructional programs | - | 217,152 | 217,152 |
| Other expenditures | <u>728,598</u> | <u>-</u> | <u>728,598</u> |
| Total expenditures | <u>5,105,746</u> | <u>217,152</u> | <u>5,322,898</u> |
| Excess (deficiency) of revenues over (under) expenditures | 9,836 | (13,587) | (3,751) |
| Other financing sources: Transfers in | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 9,836 | (13,587) | (3,751) |
| <u>BALANCE</u> - Beginning of year | <u>615,948</u> | <u>100,255</u> | <u>716,203</u> |
| <u>BALANCE</u> - End of year | \$ <u>625,784</u> | \$ <u>86,668</u> | \$ <u>712,452</u> |

| <u>Budgeted Amounts</u> | | <u>Final to</u> |
|-------------------------|---------------------|---------------------|
| <u>Original</u> | <u>Final</u> | <u>Actual</u> |
| | | <u>Variance</u> |
| \$ 2,837,099 | \$ 2,837,099 | \$ 52,389 |
| 1,990,701 | 1,990,701 | 224,540 |
| <u>173,000</u> | <u>173,000</u> | <u>41,418</u> |
| <u>5,000,800</u> | <u>5,000,800</u> | <u>318,347</u> |
| 3,379,346 | 3,379,346 | 103,273 |
| 1,196,404 | 1,915,000 | 813,925 |
| 332,000 | 332,000 | 114,848 |
| <u>712,954</u> | <u>712,954</u> | <u>(15,644)</u> |
| <u>5,620,704</u> | <u>6,339,300</u> | <u>1,016,402</u> |
| (619,904) | (1,338,500) | 1,334,749 |
| <u>355,000</u> | <u>355,000</u> | <u>(355,000)</u> |
| (264,904) | (983,500) | 979,749 |
| <u>507,726</u> | <u>507,726</u> | <u>208,477</u> |
| \$ <u>242,822</u> | \$ <u>(475,774)</u> | \$ <u>1,188,226</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$718,596.

During the year ended June 30, 2007, expenditures exceeded the amount budgeted for other expenditures.

OTHER SUPPLEMENTARY INFORMATION

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

| | Special Revenue Funds | | | | |
|--|-----------------------|---------------------|--|---------------------|-------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Capital Projects | Total |
| <u>ASSETS</u> | | | | | |
| Cash and pooled investments | \$ 90,334 | \$ 53,454 | \$ 85,180 | \$ 123,954 | \$ 352,922 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year delinquent | 2,086 | - | 884 | - | 2,970 |
| Succeeding year | 95,000 | - | 106,083 | - | 201,083 |
| Accounts receivable | - | 163 | - | - | 163 |
| Due from other governments | - | - | - | 76,337 | 76,337 |
| TOTAL ASSETS | \$ 187,420 | \$ 53,617 | \$ 192,147 | \$ 200,291 | \$ 633,475 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| <u>LIABILITIES:</u> | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 179 | \$ 179 |
| Salaries and benefits payable | 5,007 | 9,627 | - | - | 14,634 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 95,000 | - | 106,083 | - | 201,083 |
| Total liabilities | 100,007 | 9,627 | 106,083 | 179 | 215,896 |
| <u>FUND BALANCES:</u> | | | | | |
| Unreserved fund balances | 87,413 | 43,990 | 86,064 | 200,112 | 417,579 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 187,420 | \$ 53,617 | \$ 192,147 | \$ 200,291 | \$ 633,475 |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | Special Revenue Funds | | | | |
|--|-----------------------|---------------------|--|---------------------|-------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Capital Projects | Total |
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 99,368 | \$ - | \$ 102,047 | \$ 310,672 | \$ 512,087 |
| Other | <u>5,436</u> | <u>177,048</u> | <u>4,136</u> | <u>19,600</u> | <u>206,220</u> |
| Total revenues | <u>104,804</u> | <u>177,048</u> | <u>106,183</u> | <u>330,272</u> | <u>718,307</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 58,279 | - | - | - | 58,279 |
| Other instruction | - | 180,620 | - | - | 180,620 |
| Support services: | | | | | |
| Administration services | 35,672 | - | - | - | 35,672 |
| Transportation services | - | - | 59,350 | - | 59,350 |
| Other expenditures: | | | | | |
| Facilities acquisition | <u>-</u> | <u>-</u> | <u>65,114</u> | <u>275,912</u> | <u>341,026</u> |
| Total expenditures | <u>93,951</u> | <u>180,620</u> | <u>124,464</u> | <u>275,912</u> | <u>674,947</u> |
| Net change in fund balances | 10,853 | (3,572) | (18,281) | 54,360 | 43,360 |
| FUND BALANCES - Beginning of year | <u>76,560</u> | <u>47,562</u> | <u>104,345</u> | <u>145,752</u> | <u>374,219</u> |
| FUND BALANCES - End of year | \$ <u>87,413</u> | \$ <u>43,990</u> | \$ <u>86,064</u> | \$ <u>200,112</u> | \$ <u>417,579</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2007

| | Enterprise | | |
|---|---------------------|------------------------|------------------|
| | School Nutrition | Student-built House | Total |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 15,409 | \$ 72,831 | \$ 88,240 |
| Accounts receivable | 46 | - | 46 |
| Inventories | 783 | - | 783 |
| Capital assets, net of accumulated depreciation | <u>13,930</u> | <u>-</u> | <u>13,930</u> |
| TOTAL ASSETS | <u>30,168</u> | <u>72,831</u> | <u>102,999</u> |
| <u>LIABILITIES</u> | | | |
| Salaries and benefits payable | 11,558 | - | 11,558 |
| Deferred revenue | <u>4,773</u> | <u>-</u> | <u>4,773</u> |
| TOTAL LIABILITIES | <u>16,331</u> | <u>-</u> | <u>16,331</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 13,930 | - | 13,930 |
| Unrestricted | <u>(93)</u> | <u>72,831</u> | <u>72,738</u> |
| TOTAL NET ASSETS | \$ <u>13,837</u> | \$ <u>72,831</u> | \$ <u>86,668</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

| | Enterprise | | |
|---------------------------------------|------------------|------------------|------------------|
| | School | Student-built | |
| | <u>Nutrition</u> | <u>House</u> | <u>Total</u> |
| <u>OPERATING REVENUES:</u> | | | |
| Local sources: | | | |
| Charges for meals | \$ 122,294 | \$ - | \$ 122,294 |
| Miscellaneous | 344 | - | 344 |
| Total operating revenue | <u>122,638</u> | <u>-</u> | <u>122,638</u> |
| <u>OPERATING EXPENSES:</u> | | | |
| Non-instructional programs: | | | |
| Loss on sale | - | 270 | 270 |
| Salaries | 79,994 | - | 79,994 |
| Benefits | 20,277 | - | 20,277 |
| Supplies | 107,009 | - | 107,009 |
| Miscellaneous | 4,427 | - | 4,427 |
| Depreciation | 5,176 | - | 5,176 |
| Total operating expenses | <u>216,883</u> | <u>270</u> | <u>217,153</u> |
| Operating loss | <u>(94,245)</u> | <u>(270)</u> | <u>(94,515)</u> |
| <u>NON-OPERATING REVENUES:</u> | | | |
| State sources | 2,618 | - | 2,618 |
| Federal sources | 77,822 | - | 77,822 |
| Interest income | 75 | 413 | 488 |
| Total non-operating revenues | <u>80,515</u> | <u>413</u> | <u>80,928</u> |
| Change in net assets | (13,730) | 143 | (13,587) |
| <u>NET ASSETS</u> - Beginning of year | <u>27,567</u> | <u>72,688</u> | <u>100,255</u> |
| <u>NET ASSETS</u> - End of year | \$ <u>13,837</u> | \$ <u>72,831</u> | \$ <u>86,668</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2007

| | Enterprise | | |
|--|-------------------------|-------------------------|-------------------------|
| | School Nutrition | Student-built House | Total |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | |
| Cash received from sale of meals | \$ 124,856 | \$ - | \$ 124,856 |
| Cash received from sale of inventory | - | 10,000 | 10,000 |
| Cash received for miscellaneous items | 344 | - | 344 |
| Cash payments to employees for services | (97,965) | - | (97,965) |
| Cash payments to suppliers for goods and services | (100,355) | (10,270) | (110,625) |
| NET CASH USED BY OPERATING ACTIVITIES | (73,120) | (270) | (73,390) |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u> | | | |
| State grants received | 2,618 | - | 2,618 |
| Federal grants received | 67,724 | - | 67,724 |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 70,342 | - | 70,342 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | |
| Interest on investments | 75 | 413 | 488 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,703) | 143 | (2,560) |
| <u>CASH AND CASH EQUIVALENTS - Beginning of year</u> | <u>18,112</u> | <u>72,688</u> | <u>90,800</u> |
| <u>CASH AND CASH EQUIVALENTS - End of year</u> | <u>\$ 15,409</u> | <u>\$ 72,831</u> | <u>\$ 88,240</u> |
| <u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</u> | | | |
| Operating loss | \$ (94,245) | \$ (270) | \$ (94,515) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Commodities consumed | 10,098 | - | 10,098 |
| Depreciation | 5,176 | - | 5,176 |
| Increase in accounts receivable | (46) | - | (46) |
| Decrease in inventories | 983 | - | 983 |
| Increase in salaries and benefits payable | 2,306 | - | 2,306 |
| Increase in deferred revenues | 2,608 | - | 2,608 |
| NET CASH USED BY OPERATING ACTIVITIES | \$ (73,120) | \$ (270) | \$ (73,390) |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received \$10,098
in federal commodities

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenue</u> | <u>Expenditures</u> | <u>Balance End of Year</u> |
|---------------------------|--|----------------|---------------------|------------------------------------|
| Annual | \$ 7,575 | \$ 6,941 | \$ 11,919 | \$ 2,597 |
| Athletics | 2,873 | 36,522 | 33,406 | 5,989 |
| Cheerleaders | 170 | 910 | 479 | 601 |
| Golf | - | 881 | 728 | 153 |
| Class of: | | | | |
| 2007 | 149 | 280 | 429 | - |
| 2008 | 1,325 | 1,750 | 2,725 | 350 |
| 2009 | 736 | 780 | 24 | 1,492 |
| 2010 | - | 680 | 25 | 655 |
| 2011 | 496 | 100 | 496 | 100 |
| 2012 | 255 | 100 | 280 | 75 |
| 2013 | - | 100 | - | 100 |
| Concessions | 2,354 | 15,774 | 16,716 | 1,412 |
| FFA | 1,260 | 12,668 | 12,299 | 1,629 |
| HS student activities | - | 237 | - | 237 |
| Lutton student activities | 1,650 | 5,545 | 6,494 | 701 |
| National Honor Society | 20 | - | - | 20 |
| Interest | 13 | 207 | 207 | 13 |
| Library club | 1,579 | 307 | 1,033 | 853 |
| Model UN | 36 | 171 | 207 | - |
| Music boosters | 4,155 | 41,977 | 41,696 | 4,436 |
| Science club | 26 | - | - | 26 |
| Student council | 1,070 | 11,408 | 12,083 | 395 |
| Spanish club | 278 | - | - | 278 |
| Speech/drama | 919 | 1,186 | 516 | 1,589 |
| Girls softball | - | 5,880 | 4,524 | 1,356 |
| Girls basketball | 1,041 | 5,438 | 3,612 | 2,867 |
| Track | 736 | 3,392 | 3,502 | 626 |
| Boys basketball | 661 | 998 | 996 | 663 |
| Baseball | 1,829 | 1,425 | 649 | 2,604 |
| Wrestling | 8,538 | 6,346 | 8,819 | 6,065 |
| Football | 1,892 | 2,386 | 3,258 | 1,020 |
| Volleyball | 133 | 2,737 | 2,479 | 391 |
| Lutton | 454 | 1,977 | 2,272 | 159 |
| Heart fund | 134 | 966 | 966 | 134 |
| Book fair | 593 | 3,900 | 3,951 | 542 |
| Family night | 4 | - | - | 4 |
| FCCLA | - | 15 | - | 15 |
| Bear Essentials | 2,895 | - | - | 2,895 |
| Valley rush | 1,713 | 3,064 | 3,830 | 947 |
| Totals | \$ 47,562 | \$ 177,048 | \$ 180,620 | \$ 43,989 |

See Accompanying Independent Auditor's Report

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SIX YEARS

| | Modified Accrual Basis | | | | | |
|---|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Years Ended June 30, 2007 | | | | | |
| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Local tax | \$ 1,798,491 | \$ 1,856,775 | \$ 1,757,958 | \$ 1,664,110 | \$ 1,629,439 | \$ 1,599,624 |
| Tuition | 540,154 | 482,087 | 415,982 | 406,331 | 366,089 | 314,901 |
| Other | 427,718 | 334,090 | 358,670 | 330,664 | 332,526 | 348,179 |
| State sources | 2,212,623 | 1,902,649 | 1,909,318 | 1,896,927 | 1,830,632 | 1,819,592 |
| Federal sources | 136,596 | 115,720 | 135,974 | 124,639 | 124,500 | 73,825 |
| Total | \$ <u>5,115,582</u> | \$ <u>4,691,321</u> | \$ <u>4,577,902</u> | \$ <u>4,422,671</u> | \$ <u>4,283,186</u> | \$ <u>4,156,121</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | \$ 1,975,095 | \$ 1,953,446 | \$ 1,967,316 | \$ 1,850,465 | \$ 1,754,457 | \$ 1,749,974 |
| Special instruction | 589,927 | 532,351 | 507,648 | 631,898 | 543,040 | 478,473 |
| Other instruction | 711,051 | 668,618 | 560,347 | 480,791 | 430,659 | 430,585 |
| Support services: | | | | | | |
| Student services | 868 | 26 | 4,845 | 1,481 | 39,921 | 43,446 |
| Instructional staff services | 66,186 | 68,830 | 61,691 | 56,127 | 52,162 | 59,438 |
| Administration services | 520,600 | 502,577 | 523,888 | 521,419 | 507,546 | 474,032 |
| Operation and maintenance of plant services | 251,756 | 289,209 | 267,881 | 248,278 | 229,773 | 254,547 |
| Transportation services | 261,665 | 204,890 | 258,022 | 172,092 | 167,836 | 184,655 |
| Non-instructional | - | - | - | 21,853 | 23,277 | 25,331 |
| Other expenditures: | | | | | | |
| Facilities acquisitions | 341,026 | 80,190 | 135,778 | 69,127 | 78,786 | 142,735 |
| Long term debt: | | | | | | |
| Principal | 185,000 | 180,000 | 180,000 | 195,000 | 120,000 | 110,000 |
| Interest | 62,190 | 65,865 | 69,390 | 61,041 | 139,185 | 145,785 |
| AEA flow-through | 140,382 | 133,846 | 133,316 | 136,119 | 139,916 | 139,078 |
| Total | \$ <u>5,105,746</u> | \$ <u>4,679,848</u> | \$ <u>4,670,122</u> | \$ <u>4,445,691</u> | \$ <u>4,226,558</u> | \$ <u>4,238,079</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
English Valleys Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of English Valleys Community School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated February 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered English Valleys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects English Valleys Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of English Valleys Community School District's financial statements that is more than inconsequential will not be prevented or detected by English Valleys Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by English Valleys Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether English Valleys Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

English Valleys Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit English Valleys Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of English Valleys Community School District and other parties to whom the District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of English Valleys Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 27, 2008

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- II-A-07 Segregation of Duties – The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on the accounting records accuracy and reliability, although we noted the District had taken steps to segregate duties between present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- II-B-07 Financial Reporting – During the audit, we identified material amounts of capital assets additions not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets additions are identified and properly included in the District's financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were reported

Part III: Other Findings Related to Statutory Reporting:

- III-A-07 Certified Budget – Expenditures for the year ended June 30, 2007 exceeded the amounts budgeted in the Other Expenditures function. Transfers in do not equal transfers out on the budget.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part III: Other Findings Related to Statutory Reporting: (Continued)

III-A-07 Certified Budget (Continued)

Recommendation – Transfers in should equal transfers out unless there are transfers to or from nonbudgetary funds.

Response – In the future, we will make sure transfers balance.

Conclusion – Response accepted.

III-B-07 Questionable Disbursements – No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

III-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-07 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.

III-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

III-H-07 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

III-I-07 Certified Annual Report - The certified annual report was certified timely to the Iowa Department of Education.